



Kansas Health Policy Authority Budget Update

**Testimony before the Senate Ways and Means Committee
December 15, 2009**

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Overview

- **KHPA Budget Summary**
- **Reductions Approved by 2009 Legislature**
- **FY 2011 Budget Recommendations**
- **FY 2010 Governor's Allotments**
- **Questions from the Committee**

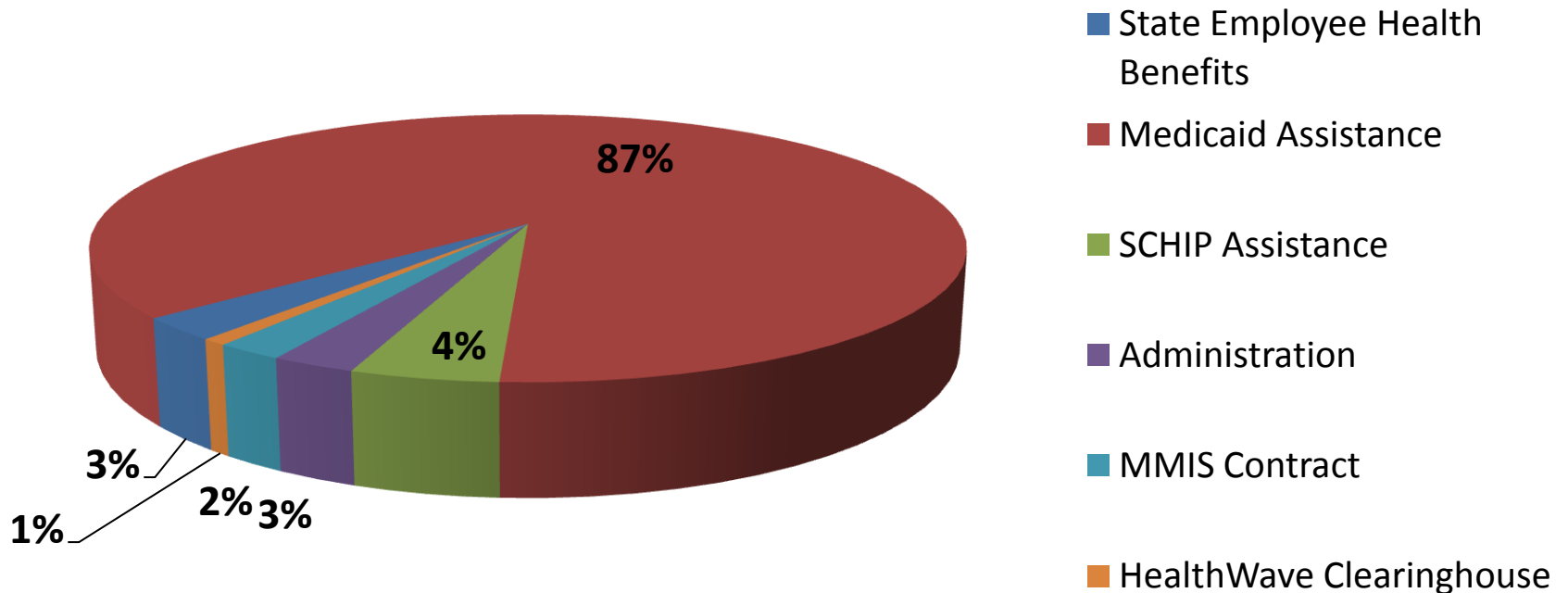


Brief Overview of KHPA's Budget

- **KHPA's FY 2009 budget was about \$2.6 billion**
 - \$1.36 billion is non-SGF funding for KHPA medical programs
 - \$800 million is federal funds passed through to other Medicaid service agencies (SRS, KDOA, JJA, KDHE)
 - \$450 million is SGF funding for services and operations
- **KHPA programs and operations are funded separately**
 - FY 2009 operational funding was \$23 million SGF
 - Caseload costs are about 20 times larger than operational costs
 - Caseload savings cannot be credited to cost-saving operations
 - The federal government matches Medicaid operations at 50-90%
 - Operational costs for the state employee plan are funded off-budget
- **KHPA FY 2010 budget reductions concentrated on operations**
 - Medicaid caseload protected due to Federal stimulus dollars
 - KHPA operational funding reduced 15.5% versus FY 2009

KHPA Total Budget

FY 2010 Approved Budget excluding off budget and transfers





Governor's Rescission and 2009 Legislative Reductions: Impact on Medicaid and SCHIP

- **Update: Many thousands of People with Delayed Medicaid/SCHIP Applications through December 2009**
 - Millions of dollars (statewide) in uncompensated or foregone medical care, delayed payments, and foregone federal funding. Needed medical care delayed; negative health outcomes
 - Compliance with Federal deadlines for processing applications at risk
 - Impact reduced by using unexpected contract savings to buy overtime at the Clearinghouse
- **Approximately 40% Cut in Customer and Provider Service**
 - 42 FTE's laid off in July from the Medicaid fiscal agent, HP (@ Forbes Field)
 - Affects 25,000 Medicaid providers' ability to ensure access for their patients; receive prompt payment for services. Potential delays in care and reimbursement
 - Call wait times have doubled since July to nearly 4 minutes
 - Rate of abandoned calls has tripled
- **Staff Layoffs: 13 positions (July 2009)**
 - Another 30+ funded positions held open or eliminated with turnover
 - Cumulative reduction in staffing of 15% as compared to July 2008



Governor's Rescission and 2009 Legislative Reductions: Impact on State Employee Health Plan

- The timing of past premium increases in the State Employee Health Plan lead to an overfunded reserve account
 - Actuarial sound plans maintain a 15% reserve
- Beginning on Plan Year 2009, The State Employees' Health Care Commission adopted a strategy to gradually spend down the reserve and simultaneously increase premiums to more closely mirror expenditures
- During Plan Year 2009, the Governor and Legislature approved a 7 pay period moratorium on the state paying its portion of employee premiums
 - This decreased the reserve balance by roughly \$60 million
- Without significant cost-shifting or rate increases, the KHPA estimates that the 2011 reserve balance will be \$3.6M and the plan will have a deficit of \$37M in 2012.



Reduction Options Included in FY 2011 Budget Submission

- Streamline Prior Authorization in Medicaid
 - \$243,000 SGF/ \$952,000 AF
- Mental Health Pharmacy Management
 - \$800,000SGF/ \$2.0M AF
- Align Professional Rates in Medicaid
 - \$3.6M SGF/ \$10.2M AF



FY 2010 Governor's State General Fund Allotments *July 2009*

- FY 2009 Caseload Savings (\$5,300,000)
- Expansions to Pregnant Women (\$524,000)
- Increased FMAP Rate (\$6,300,000)
- No impact on current services



FY 2010 Governor's State General Fund Allotments *November 2009*

- **Across-the-board 10% reduction in Medicaid provider rates**
 - Applies to all Medicaid agencies, all provider types
 - Effective for dates of service beginning January 1st
- **\$1.13 million SGF (\$2.5 million all-funds) reduction in KHPA's operating budget**
 - Cumulative 20.5% reduction since approved FY 2009
 - Allotment represents 5% reduction on FY 2009 base
- **\$1 million SGF reduction in funding for SCHIP services**
 - Growing backlog likely to reduce pressure on funding
- **Limitation on MediKan benefits to 12 months**

FY 2010 KHPA Operating Budget After Allotments

FY 2009:	\$22,814,018
Rev. FY 2010:	\$18,145,291
Total Cuts:	\$4,668,727 (20.5%)

KHPA Internal Administration
Cut 22% from FY 2009

MMIS Contract:
Cut 20% from FY 2009

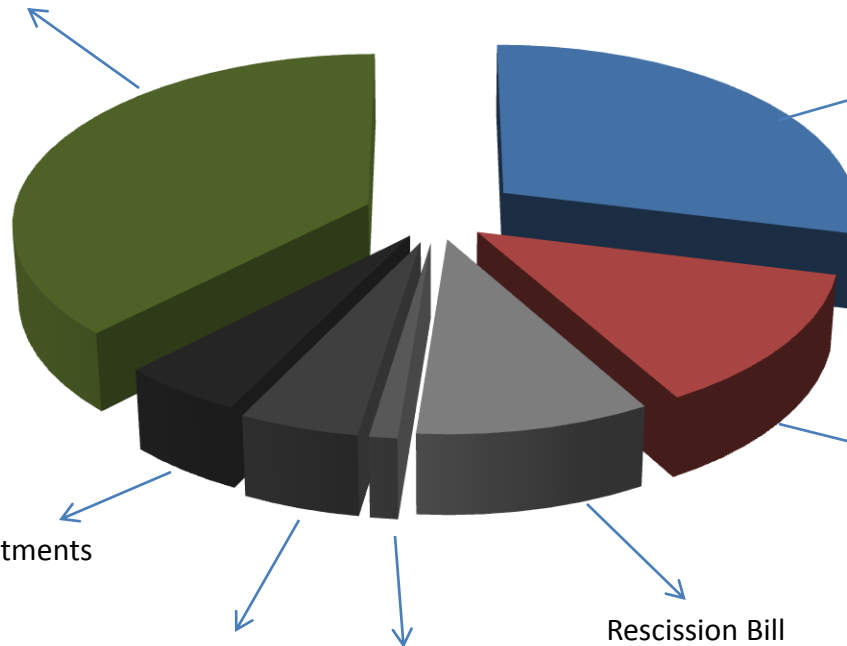
Clearinghouse Contract
Cut: 16% from FY 2009

Rescission Bill
\$2,162,595

"Mega" Bill
\$258,800

Omnibus Bill
\$1,108,332

November Allotments
\$1,139,000





Summary of November 2009 Allotment for KHPA Operations

- **Freeze KHPA staff overtime and reduce KHPA staff through attrition (109,000) SGF**
- **Eliminate extra contract funding dedicated to the Clearinghouse eligibility backlog (140,000)SGF**
- **Cut State staff overtime dedicated to the Clearinghouse eligibility backlog (60,000) SGF**
- **Reduce scope of services in the Clearinghouse contract (197,000) SGF**
- **Amend verification policies and reduce call center capacity at the eligibility Clearinghouse (233,000) SGF**
- **Lapse funds from FY 2009 (150,000) SGF**
- **Eliminate the call center for Medicaid providers and significantly reduce call center capacity for Medicaid beneficiaries (250,000) SGF**



Focus: Eliminate Added Capacity at the Eligibility Clearinghouse

- **Extra contract funding and state staff overtime dedicated to the eligibility Clearinghouse backlog**
- **Loss of funding will lead directly to growth in the backlog of applications, estimated backlog in June 2011 of 33,000**
- **Growing backlog will result in delayed or foregone medical care for beneficiaries and a loss of revenue for providers**
- **Created the potential violation of federal 45 day processing time requirements**
- **Threatens compliance linked to ARRA funding**
- **Potential loss of up to \$11 million in CHIPRA bonus payments**
- **Potential threat to \$40 million HRSA grant for improved eligibility operations**



Focus: Amend Policies and Reduce Services at Clearinghouse

- **Reductions are designed to achieve additional savings without adding to the backlog**
- **Amending verification policies will speed and simplify application processing but also involves a risk of a higher error rate**
- **Cutting customer call center capacity by one-third will reduce contractor's capacity to assist beneficiaries**
- **Eliminating the Quality Assurance unit will weaken KHPA's ability to monitor whether the contractor is meeting performance expectations**



Focus: Examples of Simplifications to Medicaid/SCHIP Applications

- **Self declaration of child support**
- **Eliminate trust test for “Caretaker Medical” (low-income parents)**
- **Self declaration of pregnancy**
- **Eliminate mid-year reporting for Transitional Medical recipients**
- **Continuous 12-month eligibility for caretaker medical (parents)**
- **Change income calculation for new applicants with new jobs**
- **Focus state workers on oversight and processing, not duplication**
- **Rely on Department of Labor wage information**
- **Pre-populate review form with lessened verification requirements**
- **New HW application designed to get questions answered accurately and to obtain necessary information**



Focus: Eliminate Provider Call Center and Reduce Customer Service

- **Option eliminates all Medicaid provider service and reduces customer service at the fiscal agent (HP)**
- **Fiscal agent receives 250,000 calls per year from providers and beneficiaries, those callers will now be directed to a web portal for information**
- **Call volume may divert to KHPA staff, but we have no capacity to manage the increase**
- **Payment accuracy likely to decline, resulting in higher caseload costs**
- **No in-person training for new providers or changes in billing without the Provider liaisons**
- **Strain in relationships with Medicaid Providers**
- **Increase in payment appeals**



Provider Response to Medicaid Budget Reductions

- **Rate reduction has prompted a strong reaction from a wide spectrum of providers**
- **Impact likely to vary by type of provider**
- **Impact of rate cuts different if providers view it as permanent**
- **Providers have expressed some of their deepest concerns over the reductions in customer service**
- **Many have expressed concerns about the impact reductions will have on access to providers for Medicaid and SCHIP recipients**



Other Questions from Senate Ways and Means Committee

- **How many employees does KHPA have?**
 - July 2007 203
 - July 2008 261
 - July 2009 264 (283 funded)
 - December 2009 230
- **If further spending reductions are necessary for your agency, how would you apply such reductions?**
 - Difficult question to answer until most recent cuts are implemented
 - Operational funding may not support compliance with Federal rules
- **If further reductions are made, what types of ideas do you have for reform that would make reductions easier to absorb, i.e., consolidation policy changes, or other efficiencies?**
 - KHPA Board has requested an analysis of consolidating HealthWave claims payment and care management into the Medicaid fee-for-service operation
 - Further reductions may require a coordinated review with other agencies

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